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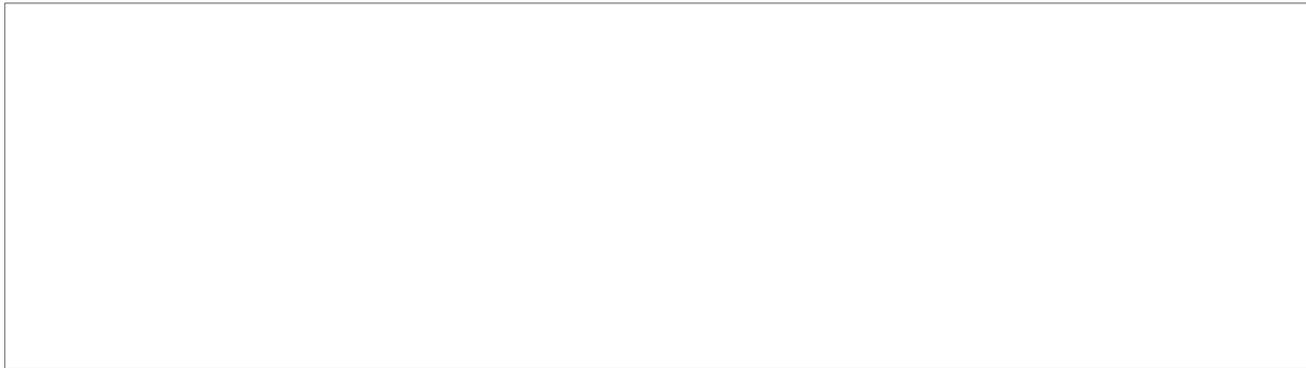
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FAR EAST

1. Yoshida seeks American economic aid and close co-operation on China policy:

Prime Minister Yoshida told Ambassador Allison in Tokyo on 27 May that on his forthcoming visit to the United States and Britain he will press the argument that close tripartite co-operation on China policy can accelerate the separation of Communist China from the Soviet Union. He insists that Japan is in the best position to understand the Chinese and to develop China policy. He also repeated previous intimations that his continuation in power depended on his obtaining American economic aid when he visits the United States in June.

2. Comment on Formosa air alert:

Although the Chinese Nationalist air force commander has said that the "red" air alert on Formosa of 29 May was not a practice alert, it is still possible that this incident merely represents a Nationalist attempt to underline the need for increased American assistance.

A raid, like that described by the Nationalists, would be within Chinese Communist capabilities. If it occurred as reported it might have been an effort to discover the extent of Nationalist air defense capabilities and to test the reaction of the Nationalist and American forces to the threat of a raid.

Two Communist air units with about 50 TU-2 conventional light bombers are believed to be located within operating range of Formosa, and it would be possible for MIG-15 jet fighters to stage from fields in Fukien and Chekiang within combat radius of Formosa.

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~~TOP SECRET~~**SOUTHEAST ASIA****3. French in Saigon see indications of early assault on Tonkin delta:**

Two Viet Minh regiments recently at Langson on their way to China for training have been ordered back to the Thai Nguyen area, the American army attaché in Saigon reports (see map, p. 5).

The attaché comments that the French see in this recall a possible indication of a major attack on the delta. Also, he says, the French now believe that Viet Minh recruits, in training near the delta, will be used to bring Viet Minh units arriving from Dien Bien Phu up to full strength rapidly.

The recruits in training near the delta could be used to fill out the depleted Dien Bien Phu divisions or could be formed into new regular units. The French had previously believed that if the battalions were formed into regular units, they would not be committed to battle this summer.

4. Communists may want northern Laos for extension of "pan -Thai" movement:

The Communists' insistence on maintaining Viet Minh forces in Laos and Cambodia may be motivated by a desire to take over northern Laos,

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[redacted] This would be a step in a "pan-Thai" movement exploiting the Thai peoples of northwest Vietnam, Laos, Thailand and Burma.

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Comment: There is a racial identity and cultural affinity among the peoples of Thailand, Laos, western Tonkin, southern Yunnan and the Shan States of Burma. Many observers believe that Peiping's establishment of the Thai Autonomous Area in the southernmost part of Yunnan in February 1953 was intended as the first step toward the creation of a Greater Thai State, which would attract Thais of all nationalities.

SOUTH ASIA

5. Karachi to impose "governor's rule" in East Pakistan:

[redacted] The Pakistani government has decided to impose "governor's rule"--direct rule by the provincial governor acting on instructions from Karachi--in East Pakistan, according to Prime Minister Mohammad Ali. Defense Secretary Iskander Mirza has been designated governor; his first task will be to arrest known Communists.

The central government hopes to win over the people of East Pakistan by a stepped-up radio information program and by the distribution of food, cloth and certain other necessities. It envisages restoration of parliamentary rule within one year.

Martial law is not to be imposed unless absolutely necessary.

Comment: The imposition of governor's rule after the smashing defeat of the Moslem League in the recent elections in East Pakistan will almost certainly lead to increased friction between the eastern and western parts of the country, but the central government is considered capable of maintaining order.

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The appointment of an individual as important as Mirza, who has been a strong force in the central government, indicates the seriousness with which Karachi views the situation in East Bengal.

NEAR EAST - AFRICA

6. Egyptian officials bitter over US failure to obtain British action on Suez:

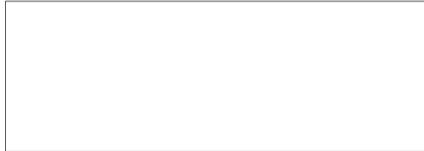


Prime Minister Nasr's chef de cabinet for political affairs and the Egyptian member of the Sudan Governor General's Commission-- both of whom are pro-West--have expressed bitterness to an American embassy official at the failure of the United States to obtain British action on the Suez canal base. They state that Nasr is incensed over the fact that the British have not even replied to his offer of five months ago to make a major concession on future availability of the base.

The two officials warned that events in Southeast Asia are having strong repercussions in Egypt and that the tide of neutralist sentiment is rising. They maintained that positive action alone could divert this present adverse trend and that the Egyptian regime, faced with continued British obduracy and an American wait-and-see attitude, might be "forced to seek alignment with Delhi and Djakarta."

Ambassador Caffery comments that the disillusionment expressed by these two officials is typical of the low state of morale among many of the West's best friends. The ambassador again warns that "time is running out" for the West to reach a solution of the base question.

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~~TOP SECRET~~**EASTERN EUROPE****7. Disagreement over area of applicability may slow development of Balkan Pact:**

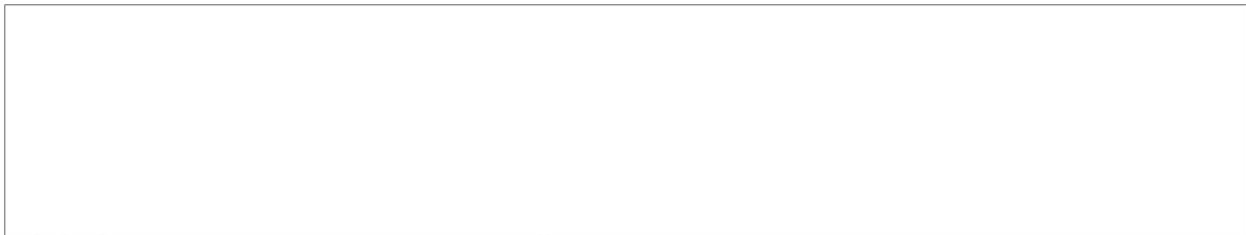
Both Yugoslavia and Turkey now wish to extend the area of applicability which would be included when the Balkan Pact is transformed into a military alliance, according to Director General Kyrrou of the Greek Foreign Office. Yugoslavia requests an amendment to include attacks through Rumania and Hungary, and the Turks desire that Asian Turkey be included if the Yugoslav proposal is accepted.

The original assumption was that the alliance's automatic commitment would apply only to an attack by or through Bulgaria.

While Greece favors the inclusion of Rumania and Hungary in the formula, it opposes the Turkish amendment on the ground that it would destroy all hope of the "eventual harmonization" of the Balkan and NATO alliances. Kyrrou thinks these differences of opinion may accomplish the delay in formalizing the alliance which the United States and Britain sought in their recent demarches at Athens and Belgrade.

Comment: The Greek hesitancy on the inclusion of Asian Turkey is puzzling, since that area is covered by the North Atlantic Treaty.

The Western powers have expressed the hope that any communique issued after Tito's forthcoming visit to Athens be so worded as not to arouse Italian public opinion and thus jeopardize a Trieste settlement. 

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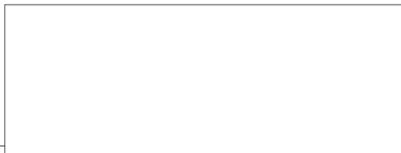
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LATIN AMERICA

9. Guatemalans reported "planting" arms to "prove" American plot:



The Guatemalan government is "planting" American arms on or near United Fruit Company properties on the Caribbean coast and plans to "discover" the caches within 30 days,



The arms and accompanying false documentation will reportedly be used to "prove" United Fruit Company complicity in a plot against the Arbenz regime. Subsequently, the government plans to attack the United States violently and may expropriate the company.

Comment: If successful, this plot could do much to convince other Latin American nations that current Guatemalan policy is justified by the hostile intentions of American investors, principally the fruit company. Guatemala's propaganda has long maintained

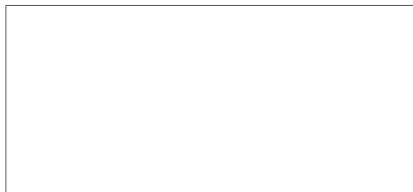
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that the Communist problem there is insignificant and that the real reason for deteriorating relations with the United States is State Department support of "imperialistic" foreign investors who try to block all social and economic reform in Guatemala.

10. Guatemalan Communist leader relieved of his post:



Jose Manuel Fortuny was relieved on 26 May as secretary general of the Guatemalan Labor (Communist) Party because of illness, according to the party's newspaper. His temporary successor is to be Bernardo Alvarado Monzon, who has held the second ranking post in the party.

An unconfirmed report adds that Fortuny is to undergo an operation, possibly in Europe.

Comment: Fortuny's "illness" may be an excuse to confer with international Communist leaders. He last returned from Moscow in January 1954, after spending about two months in the USSR.

The party's founder and its leader since 1947, Fortuny is closely identified with the successful policy of bringing the party openly into the political arena and forging it into an influential mass-supported political organization. His close personal ties with President Arbenz have, to a great extent, made this possible.

Alvarado Monzon, his 30-year old successor, has been closely associated with Fortuny since 1949, but lacks the latter's stature. 

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